

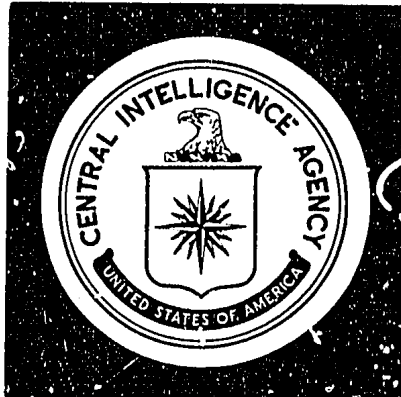
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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

New Directions in Maltese Foreign Policy

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
8 December 1971

INTELLIGENCE MEMORANDUM

New Directions in Maltese Foreign Policy

Introduction

During his first half year in office Prime Minister Mintoff has sought new defense arrangements with the Western allies. In September, following several months of intense and sometimes bitter discussion, Malta and the UK agreed on procedures and a timetable for the negotiation of a new defense agreement. Since then, the slow pace of the new talks has led the Maltese leader to renew the pressure tactics he employed last summer against the UK and its NATO partners. The negotiations may come to a head this month when British Defense Secretary Lord Carrington travels to Malta to try to tie down a new accord.

Note: This memorandum was prepared by the Office of Current Intelligence and coordinated within CIA.

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1. One of Prime Minister Mintoff's main objectives is to stimulate the economy and provide a higher standard of living for the Maltese people. In accomplishing this, he believes, Malta should shed its centuries old "fortress image" and adopt a neutral position in the Mediterranean so that it will be free to trade with and accept aid from any source.

2. Shortly after coming to office Mintoff began to press, often quite flamboyantly, for the renegotiation of the defense and financial agreements with the British. What he wanted, he said, was a greater return for the defense facilities the British have been using on the island and for denying military use of these facilities to the Soviet Bloc. His initial demands were high. After a series of unproductive negotiations with the British, Mintoff came to London in September and reached an agreement with Prime Minister Heath on the procedures for negotiating a new defense arrangement. Heath and Mintoff agreed that financial terms would be worked out in three months (i.e., by the end of the year) and detailed terms in six months. It appeared, at that time, that Mintoff was ready to accept a British offer of about \$24 million annually, part of which would be contributed by the UK and part by other NATO members. The UK could then continue to use defense facilities on the island while the negotiations proceeded.

3. It was also understood that Mintoff would be pursuing separate bilateral aid negotiations with certain NATO nations. Mintoff has been demanding an additional \$20 million in cash. Several NATO countries have indicated a willingness to make loans available, but their pledges fall far short of Mintoff's figure, and they appear unwilling to raise their offers. Mintoff's disappointment with the response to his demands has led him to revive the pressure tactics he used last summer against the British and NATO. He told British diplomats in Valletta on 26 November that a settlement would be possible only if London agreed not to share Maltese military facilities with its NATO partners and if the UK paid a "much higher" sum for the use of the facilities.

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4. British Defense Secretary Lord Carrington is expected to go to Malta in mid-December for talks with Mintoff. The British have asked their NATO partners how much they will be willing to pay and whether Carrington should insist on the rights of other NATO powers to share these facilities. In addition, allied views have been sought on the use of Maltese facilities by non-NATO countries. If Carrington is given full powers to strike a bargain, the chances for a settlement might be enhanced. During the Malta-UK negotiations last summer, Mintoff believed London's insistence on consultations with its NATO partners was a deliberate attempt to slow down the talks and allow time for domestic pressure to force him into a quick settlement. In any event, to be mutually satisfactory, a compromise would have to satisfy NATO's primary objective of denying military use of Malta to the Warsaw Pact. At the same time it would have to satisfy Mintoff's desire for additional funds and, perhaps, some lessening of the UK's heavy influence over key aspects of Maltese foreign policy as a face saving device for Mintoff.

5. Meanwhile, Mintoff's continued discussions with non-Western nations are an attempt to establish that he has alternative sources of aid. The discussions have not been very productive. Last month the Maltese leader was in Romania, Poland, and Yugoslavia promoting trade and seeking aid. Mintoff received his warmest welcome in Romania, where he received assurances of technical advice and assistance for Malta's prospective oil development. Another result of Mintoff's travels was reflected in the visit to Malta of a Polish trade delegation in late November. Although no concrete results were announced, the leader of the Polish delegation stated that his government was prepared to send ships for repair in the Malta drydocks.

6. Last summer the Soviets sent their non-resident Ambassador to Malta to discuss Mintoff's need for emergency funds and to arrange for several merchant ships to be repaired in Valletta's drydocks. The ships have begun to arrive, but beyond

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some vague rumors of Soviet willingness to furnish aid to Malta--possibly planted by Mintoff--there have been no indications that Moscow has begun to provide economic assistance. TASS had announced in August that the USSR was willing to send a delegation to Malta--or entertain one in Moscow--to discuss "possible economic assistance."

7. It seems likely that Mintoff would play out other options before accepting massive aid from the Soviets. This would follow because, by all appearances, he sincerely wishes to achieve a neutral position for Malta. In addition, he would be constrained by the slimness of his parliamentary majority and the serious domestic political repercussions that would follow a move toward the Soviets in heavily Roman Catholic Malta. This does not mean that Mintoff and the Soviets would be unwilling to time their moves so as to have a maximum impact on the Western powers and buttress Mintoff's campaign to limit the Western presence on the island.

8. Although the Soviets are not currently exerting serious efforts to establish a permanent mission on Malta, they do show interest in the island. The Soviet press has gloated over NATO's embarrassment over the forced removal of its naval headquarters from the island, and has sympathized with Mintoff's position.

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One result of the increased number of Soviet commercial ships under repair on Malta has been an increase in the amount of Soviet literature circulating on the island. Last month a Soviet soccer team played in Malta, another first.

9. Moscow can be expected to make additional friendly overtures looking toward the establishment of at least Soviet commercial representation on the island. The Soviets will probably continue to be reluctant to extend economic aid to Malta unless certain that they will gain increased political influence.

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10. Malta has pursued its economic talks with Libya, although relations may not be as close as they were last summer when Tripoli gave Malta a cash grant of at least \$3 million. Mintoff's hesitation to commit himself further probably can be attributed to his concern over what Libya may demand as a quid pro quo.

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Nevertheless, Libyan Deputy Prime Minister Jallud visited Valletta in late October, and a low-level Maltese delegation was in Tripoli in mid-November for talks on economic cooperation.

11. Mintoff doubtless wants to make basic changes in foreign policy. He would like to see the eventual end of foreign military establishments on the island. He has already terminated Malta's arrangements with NATO. He would like to establish closer political, cultural, and commercial relations with the Soviet Bloc and the Arab states of the Mediterranean so as to balance Malta's historic Western orientation. But there are factors that inhibit him from making a precipitate move away from these traditional ties. One is the inherently conservative nature of the Catholic Church. This imposes major limitations. A second is the moderate wing of his Labor Party, already reported to be concerned over Mintoff's foreign policy goals and free-wheeling tactics. The resignation of the trade and industry minister in late October after a dispute with Mintoff indicates that friction exists within the Labor Party over domestic matters. But party rifts do not appear serious enough to present any immediate difficulties for Mintoff.

12. Failure to reach agreement with the UK will involve more than merely finding an alternative source of direct aid. The UK is one of Malta's largest employers--5 percent of the labor force--and its contribution to the island economy accounts for about 20 percent of its GNP. Mintoff is aware that a non-Western offer of aid would have to affect both direct and indirect payments by the British.

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And there would be a time lag until the new aid could have an impact on the economy. The government could use a new subsidy to employ workers now employed by the British, but useful projects could not be developed quickly and the ability of the Maltese economy to absorb increased investment is limited. Such a jolt to the Maltese economy could well be disastrous both economically and politically.

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